

CONSERVATIVES AND LAND VALUE TAXATION

Answer to the Contentions

The foregoing statement which emanates from the Conservative Party Organization appears to have been prepared for the private benefit of members of that party, but deserves a wider circulation.

The *Pros* are on the whole well stated. In items (4) and (14) there is a suggestion that taxation of land values is in operation in America. If by this is meant the United States, the assertion is not correct. With certain exceptions (notably Pittsburgh and Scranton in Pennsylvania) taxation affecting land in that country falls on the value of land and on the value of improvements at the same rate.

In item (10) there is an implication that taxation of land values is to be levied on gains or increments of land value. The tax should, of course, be levied on the whole value. The valuation should be revised periodically, and the tax would be on the actual value, whether that increased or decreased in any particular case. The question of gains or losses does not arise in pure land value taxation.

WHY LAND IS DIFFERENT

The *Cons* deserve more extended consideration.

The first alternative in (1) is formally correct. It is not merely because land is different from the products of labour that it demands special treatment, but because of the nature of that difference as stated in *Pro* (1).

The second alternative in (1) suppresses the vital distinction between land and other things stated in *Pro* (1) by attempting to throw the emphasis on a mere verbal similarity—namely that land and commodities possess the common characteristic of having value.

NO LAND MONOPOLY?

That there is no land monopoly in England and rents are generally low (2) is an assertion without any basis of fact. The items reported in the newspapers day after day of the difficulties of local authorities in endeavouring to acquire land and the embittered protests of tenants over the high rents they are obliged to pay are sufficient refutation. It is true that there are many freeholders, though not so many in relation to total population. The important fact suppressed is that very many freeholders own small plots of land of low value with a house of much greater value than the land. These freeholders are suffering by the present system of taxing and rating houses and other improvements and would benefit by land value taxation. What is also suppressed is the fact that the bulk of the land in area and value is owned by a relatively small proportion of the freeholders. It is the interests of this minority that the opponents of land value taxation are really out to protect.

The taxation of land values as *Pro* (6) shows would not only give easier access to land, but also easier access to capital.

HIGH RENTS AND LAND SPECULATION

As to (3), the reasons why the taxation of land values will lower rent are well enough stated in the *Pros*: it would prevent speculation and bring unused land into use. The remainder of this objection is a typical example of confused thinking—and to confuse thought is the only way to prevent the progress of land value taxation. If the objection means that the present system encourages people to erect buildings which have a high rate of obsolescence instead of buildings which have a low rate of obsolescence, that does not seem to

be an argument in its favour. The fact is, however, that the country is encumbered with buildings which have long ago become obsolete—the most outstanding example of which are the slums of our great cities. The existing system encourages the retention of these buildings and discourages the erection of modern and up-to-date ones.

The insinuation in (4) is that land value taxation encourages land speculation. For that to be true, it would have to encourage increase in land values. The implication of points (3), (6) and (13) is that land value taxation will reduce land values. It is interesting to observe, however, that no express statement is made in these *Cons* that taxation of land values will reduce land values. Perhaps this is because many supporters of the Conservative Party would think that a good thing. It may be freely admitted that if the rate of taxation is low and if land values are increasing rapidly, the tax may not stop land speculation completely, but it will evidently discourage it.

The next objection (5) is another example of confused reasoning. What is meant by an "increase of city areas"? Presumably one or both of two things: that more houses will be built, or that each house will have a greater area of land surrounding it. Either of these results will be a very good thing for the community.

CAN THE TAX BE "SHIFTED"

If the contention (6) were true that land value taxation would dry up loans for building, then one would like to know how loans are obtained at present for building on leased land, where the ground does not form part of the security. By reducing the price of land and removing taxation from buildings, land value taxation would certainly encourage building, and this is virtually admitted in the previous objection.

No explanation is given of the assertion (7) that a tax on the value of agricultural land would be shifted. The reasons why a tax on land values is not shifted are so well known that it is hardly necessary to repeat them. If the opponents really thought this they would not denounce the tax as confiscatory (Section 13). The prospect of unearned increment is not an incentive to using land, but an incentive to speculation, *i.e.*, to holding land for a rise in value.

CAPITAL AND EMPLOYMENT

The objection that land value taxation means the development of capitalism (8) comes strangely from the Tory Party. However, we must avoid ambiguities. The word "capitalism" is popularly used for anything that exploits labour. The great exploiter of labour, directly and indirectly, is the private appropriation of land value, and in this sense land value taxation attacks capitalism. On the other hand, the taxation of land values will encourage the production of wealth (including capital) and this will be to the advantage of labour in opening up opportunities of employment and reducing the price of commodities (including capital).

The second part of this objection (quite unrelated to the first part) says that it is unjust to tax land when no one wants it, but if no one wants a piece of land it can have no value and would pay no land value tax.

ASSESSING THE VALUE

The next objection (9) states that the only value land has is its selling value. This is not so, for its primary value is rental value. Selling value represents the

value of the income or rent which is anticipated from the land in the future. In addition, it is suggested that land cannot be valued. It would be interesting to know what the valuers, surveyors, estate agents and others whose profession it is to do so think of this objection. The inherent fallacy of this objection is revealed in the next sentence. To say that land valuation in the past has been mainly farcical implies that there *are* standards by which the accuracy of the valuation can be tested.

STANDARDS OF TAXATION

The argument (10) that if gains are taxed losses should be compensated has no relationship to land value taxation, which is a proposal not to tax increases in value, but to tax the whole value. If the value increases the assessment will be increased at the next valuation, if the value goes down the assessment will be reduced.

Then it is alleged that land value taxation violates the principle of taxing capacity to pay, because the tax would not come out of income or revenue (11). The tax would not come out of revenue where valuable land was being held idle, but one of the objects of land value taxation is to bring such land into use, and when that is accomplished the tax will come out of revenue. A still more serious flaw in the argument is the tacit assumption that ability to pay is the only or the true criterion of justice in taxation, land value taxation is based on the principle of benefit received from the public.

It is true that if all revenue were raised by land value taxation, personal property would be completely exempt (12). This is no argument against it, but one of its merits. Every attempt to impose direct taxation on personal property breaks down and leads to the grossest inequalities. Indirect taxation of personal property by tariffs or sales taxes inevitably involves that the greater share of taxation is born by the poorer sections of the population.

MONOPOLIES AND COMPENSATION

The objector then wanders off to the unrelated point that monopolies are just as possible in other things as in land. It is a pity he gives no examples. There are three great classes of monopolies: land, patents for inventions, and state-created monopolies such as those enjoyed by suppliers of gas, water, electricity, railways and tramways. Most monopolies consist in these or in a combination of them, assisted in some cases by protective tariffs. Patent rights are in a class by themselves, for their duration is strictly limited and they are intended (whether they do, is not so certain) to encourage and reward inventors. Public utility monopolies are in the nature of land monopoly because they depend in the end upon the power granted by the State to use the streets or other strips of land for running pipe lines, rails, or wires.

The objector then diverges on to a third unrelated thought, that stockholding produces nothing but income. Holders of stocks are in effect part owners of the assets represented by the stocks or shares. Those assets may consist of land and of machinery and plant, patent rights or other monopoly rights. In so far as the assets consist of land values, they will in effect be taxed at source.

Next we come to the "vested rights" argument (13). The continuance (? existence) of an institution, it is said, should furnish an obligation to give protection or compensation to those who in the past have come under it (? profited by it). Observe that it is not said that the existence of an institution involves that it should continue for ever. That would be too much for any-

one to stomach. But it is said that an unjust institution cannot be abolished without those who profited by it being compensated. If this were so, and the compensation were a full equivalent, then the evil would in effect still continue. It is the attempt to carry out this idea which causes revolutions. An attempt is made to strengthen this argument by suggesting that the taxation of land values is retrospective. This is not so; it does not attempt to set right the wrongs of the past, but merely to prevent them from being perpetuated in the future.

THE LAND VALUE POLICY

The statement that land value taxation has failed to influence development (14) is unsupported by reference to any definite place. There is abundant evidence in official reports from countries where some measure of that reform has been put into operation that the results are beneficial. It is also said that each instalment has been more difficult to introduce than the previous one. Again, no case is cited in support.

Then in the endeavour to bolster up the idea that land value taxation is a small and insignificant reform it is said that it does nothing to solve the problem of society, of which the land question is a very small part (15). This sweeping assertion disregards the fact that everything we consume comes from the land which is the basis of all production and of all wealth. It disregards the obtrusive fact of high land values and high rents, and of valuable land held out of use. For this country we have no adequate statistical data, but it may be pertinent to recall the investigations of the Government statistician of Australia which showed that almost one-third of the value of privately owned property of all kinds in that country consisted of land values, and which showed also that the more wealthy people were the more important was land value as an element in their wealth. (See September, 1936, LAND & LIBERTY, p. 144.)

OBJECTIONS TO LAND PURCHASE

Lastly is the suggestion that land nationalization is simpler, juster and more effective (16). Land nationalization is no simpler, because to be done properly it would necessitate a valuation. It would, in fact, be more complicated, for it would raise the question of nationalization of the buildings and improvements on the land, for the land could hardly be purchased without purchasing these also. That problem does not arise in land value taxation, which necessitates only the valuation of the land itself and not of the improvements. The question of justice has already been alluded to in dealing with compensation, the plea for which is in effect a plea for land nationalization. If there is an injustice to be remedied, then land purchase perpetuates it. It follows from this that land value taxation is more effective, because it begins to deal with the problem now, instead of postponing its solution as nationalization does. Each instalment of tax is a positive achievement in restoring to the community the value it has created, which land purchase does not do, for it mortgages the land value to the bondholders. Moreover, land value taxation has a direct effect in securing the better use and development of land, while land purchase in itself merely postpones that problem.

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